Umtshezi Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

# General Information

| | |
|---|---|
| **Legal form of entity** | Local Municipality |
| **Municipal demarcation code** | KZN234 |
| **Nature of business and principal activities** | The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services -The collection, disposal and purifying of waste, refuse and sewerage; and Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. |
| **Exco committee** | |
| Mayor | Cllr Dlamini, BD |
| Speaker | Cllr Nunes, CJS |
| Councillors | Cllr Chetty, U (Appointed: 7 May 2014) |
| | Cllr Dladla, BS |
| | Cllr Dlamini, BA |
| | Cllr Dubazane, TC |
| | Cllr Duma, TG |
| | Cllr Gericke, RP |
| | Cllr Lite, E |
| | Cllr Magubane, SD |
| | Cllr Majola, EM |
| | Cllr Mchunu, ME |
| | Cllr Mlambo, SM |
| | Cllr Mlele, SC |
| | Cllr Sulieman, B |
| | Cllr Vahed, DM (Passed on: 20 Jan. 2014) |
| | Cllr Vilakazi, KA |
| | Cllr Zwane, Z |
| **Grading of local authority** | Grade 3 |
| **Capacity** | Medium |
| **Accounting Officer** | Ms PN Njoko ( Masters in Business Education) |
| **Chief Finance Officer (CFO)** | Mr MJ Zulu CA(SA) |
| **Registered office** | Civic Building<br>Victoria Road<br>Estcourt<br>3310 |
| **Business address** | Civic Building<br>Victoria Road<br>Estcourt<br>3310 |

# General Information

| | |
|---|---|
| **Postal address** | P O Box 15<br>Estcourt<br>3310 |
| **Bankers** | First National Bank |
| **Auditors** | Auditor-General South Africa |
| **Attorneys** | Matthew Francis Inc.<br>Botha & Olivier Inc. |

# Index

The reports and statements set out below comprise the annual financial statements presented to the council:

# Index

**Abbreviations**

| | |
|---|---|
| NDPG | Neighbourhood Development Partnership Grant |
| MSIG | Municipal System Improvement Grant |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| STR | Small Town Rehabilitation Grant |
| INEP | Integrated National Electrification Programme |
| HOA | Housing Operating Account |

# Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed by her :

**Accounting Officer**

**Estcourt**

**31 August 2014**

# Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2014.

**1. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Ms PN Njoko

## Statement of Financial Position as at 30 June 2014

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 7 349 067 | 13 523 473 |
| Consumer receivables from exchange transactions | 8 | 11 245 094 | 6 252 273 |
| Other receivables from exchange transactions | 9 | 297 481 | 297 481 |
| Receivables from non-exchange transactions | 10 | 44 225 458 | 36 859 322 |
| Loans and receivables | 11 | 507 847 | 554 641 |
| Inventories | 12 | 1 323 370 | 1 487 716 |
| Financial assets | 6 | 31 575 987 | 27 502 994 |
| VAT receivable from exchange transactions | 13 | 16 144 974 | 13 188 933 |
| | | **112 669 278** | **99 666 833** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 643 128 757 | 621 290 092 |
| Heritage assets | 4 | 8 244 763 | 8 244 763 |
| Intangible assets | 5 | 331 577 | 438 434 |
| Financial assets | 6 | 72 309 | 103 037 |
| | | **651 777 406** | **630 076 326** |
| Non-Current Assets | | 651 777 406 | 630 076 326 |
| Current Assets | | 112 669 278 | 99 666 833 |
| Non-current assets held for sale (and) (assets of disposal groups) | | - | - |
| **Total Assets** | | **764 446 684** | **729 743 159** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Payables from exchange transactions | | 41 610 682 | 35 800 967 |
| Finance lease obligation | 14 | 3 032 408 | 534 065 |
| Unspent conditional grants and receipts | 15 | 18 921 943 | 16 840 549 |
| Current portion of long term loan | 16 | 366 635 | 929 782 |
| Sundry loans | 17 | 733 660 | - |
| Provisions | 18 | 4 990 769 | 570 635 |
| Consumer deposits | 19 | 3 040 779 | 2 844 579 |
| Retirement benefit obligation | 20 | 1 103 000 | 981 000 |
| | | **73 799 876** | **58 501 577** |
| **Non-Current Liabilities** | | | |
| Finance lease obligation | 14 | 11 307 202 | 1 246 257 |
| Other liability | | - | 11 |
| Long term loan | 16 | 8 002 068 | 8 727 956 |
| Retirement benefit obligation | 20 | 15 663 000 | 14 141 000 |
| | | **34 972 270** | **24 115 224** |
| Non-Current Liabilities | | 34 972 270 | 24 115 224 |
| Current Liabilities | | 73 799 876 | 58 501 577 |
| Liabilities of disposal groups | | - | - |
| **Total Liabilities** | | **108 772 146** | **82 616 801** |
| Assets | | 764 446 684 | 729 743 159 |
| Liabilities | | (108 772 146) | (82 616 801) |
| **Net Assets** | | **655 674 538** | **647 126 358** |

## Statement of Financial Position as at 30 June 2014

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---|---|---|
| Reserves | | | |
| Housing operating account | 21 | 1 095 260 | 1 095 260 |
| Accumulated surplus | | 654 579 294 | 646 031 098 |
| **Total Net Assets** | | **655 674 554** | **647 126 358** |

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---|---|---|
| **Revenue** | | | |
| Property rates | 23 | 60 174 153 | 38 105 895 |
| Property rates - penalties imposed | | 7 164 545 | 5 597 986 |
| Service charges | 24 | 175 220 102 | 163 354 770 |
| Government grants & subsidies | 25 | 71 951 607 | 66 893 132 |
| Rental income | | 463 433 | 387 449 |
| Fines | | 100 975 | 46 265 |
| Licences and permits | | 4 853 595 | 4 705 421 |
| Administration and management fees received | | 1 720 | 2 200 |
| Rendering of services | | 2 136 652 | 2 128 637 |
| Fees earned | | 46 067 | 29 780 |
| Other income | | 1 043 355 | 672 005 |
| Interest received | 26 | 2 442 844 | 2 261 109 |
| **Total revenue** | | **325 599 048** | **284 184 649** |
| **Expenditure** | | | |
| Personnel | 27 | (71 116 670) | (62 101 321) |
| Remuneration of councillors | 28 | (5 036 936) | (4 601 212) |
| Depreciation and amortisation | 29 | (32 560 597) | (31 515 003) |
| Impairment loss/ Reversal of impairments | 30 | - | (3 166) |
| Finance costs | 31 | (1 660 258) | (813 858) |
| Debt impairment | 32 | (14 452 108) | (6 456 781) |
| Repairs and maintenance | | (10 326 354) | (8 961 317) |
| Bulk purchases | 33 | (132 912 833) | (129 226 756) |
| Grants and subsidies paid | | (6 142 844) | (1 165 000) |
| Loss on disposal of assets | | (407 063) | (844 768) |
| General expenses | 34 | (42 435 189) | (38 813 035) |
| **Total expenditure** | | **(317 050 852)** | **(284 502 217)** |
| | | - | - |
| Total revenue | | 325 599 048 | 284 184 649 |
| Total expenditure | | (317 050 852) | (284 502 217) |
| **Operating surplus (deficit)** | | **8 548 196** | **(317 568)** |
| Surplus (deficit) before taxation | | 8 548 196 | (317 568) |
| Taxation | | - | - |
| **Surplus (deficit) for the year** | | **8 548 196** | **(317 568)** |

## Statement of Changes in Net Assets

| Figures in Rand | Housing operating account | Accumulated surplus | Total net assets |
|---|---|---|---|
| **Balance at 01 July 2012** | **1 095 260** | **646 206 818** | **647 302 078** |
| Changes in net assets | | | |
| Fair market value additions | - | 141 848 | 141 848 |
| Net income (losses) recognised directly in net assets | - | 141 848 | 141 848 |
| Surplus for the year | - | (317 568) | (317 568) |
| Total recognised income and expenses for the year | - | (175 720) | (175 720) |
| Total changes | - | (175 720) | (175 720) |
| **Balance at 01 July 2013** | **1 095 260** | **646 031 098** | **647 126 358** |
| Changes in net assets | | | |
| Surplus for the year | - | 8 548 196 | 8 548 196 |
| Total changes | - | 8 548 196 | 8 548 196 |
| **Balance at 30 June 2014** | **1 095 260** | **654 579 294** | **655 674 554** |
| Note(s) | 21 | | |

## Cash Flow Statement

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Receipts from customers | | 211 571 966 | 211 140 742 |
| Grants | | 74 033 001 | 69 189 000 |
| Interest income | | - | 2 261 109 |
| Interest income | | 2 442 844 | - |
| Other receipts | | 8 137 950 | 1 775 815 |
| | | 296 185 761 | 284 366 666 |
| **Payments** | | | |
| Personnel costs | | (76 153 606) | (62 101 321) |
| Suppliers | | (183 467 270) | (185 731 045) |
| Finance costs | | (34 855) | (130 664) |
| Finance costs - finance leases | | (1 625 403) | (683 194) |
| | | (261 281 134) | (248 646 224) |
| Total receipts | | 296 185 761 | 284 366 666 |
| Total payments | | (261 281 134) | (248 646 224) |
| **Net cash flows from operating activities** | 37 | **34 904 627** | **35 720 442** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | (47 453 311) | (29 874 920) |
| Proceeds from sale of property, plant and equipment | 3 | - | 2 217 848 |
| Purchase of other intangible assets | 5 | (8 750) | (310 280) |
| Increase in financial investments | | - | (5 162 469) |
| Decrease / (Increase) in loans and receivables | | 46 794 | 351 859 |
| Increase in financial investments | | (4 042 265) | - |
| **Net cash flows from investing activities** | | **(51 457 532)** | **(32 777 962)** |
| **Cash flows from financing activities** | | | |
| Movement in other liability | | (11) | - |
| Movement in long term loan | | (1 289 035) | (1 872 966) |
| Movement in deposits on sale of land | | 733 660 | - |
| Finance lease payments | | 10 933 885 | (912 450) |
| **Net cash flows from financing activities** | | **10 378 499** | **(2 785 416)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(6 174 406)** | **157 064** |
| Cash and cash equivalents at the beginning of the year | | 13 523 473 | 13 366 409 |
| **Cash and cash equivalents at the end of the year** | 7 | **7 349 067** | **13 523 473** |

## Statement of Comparison of Budget and Actual Amounts

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 186 137 430 | (3 000 069) | **183 137 361** | 175 220 102 | **(7 917 259)** | 47 |
| Rendering of services | 2 928 000 | 1 014 000 | **3 942 000** | 2 136 652 | **(1 805 348)** | |
| Licences and permits | 5 132 465 | 681 535 | **5 814 000** | 4 853 595 | **(960 405)** | |
| Administration and management fees received | - | - | **-** | 1 720 | **1 720** | |
| Fees earned | - | - | **-** | 46 067 | **46 067** | |
| Rental income | 233 000 | 76 000 | **309 000** | 463 433 | **154 433** | |
| Other income | - | - | **-** | 1 043 355 | **1 043 355** | |
| Interest received - investment | 777 242 | 335 758 | **1 113 000** | 2 442 844 | **1 329 844** | 47 |
| **Total revenue from exchange transactions** | **195 208 137** | **(892 776)** | **194 315 361** | **186 207 768** | **(8 107 593)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 43 102 434 | 5 000 566 | **48 103 000** | 60 174 153 | **12 071 153** | 47 |
| Property rates - penalties imposed | 5 847 000 | - | **5 847 000** | 7 164 545 | **1 317 545** | 47 |
| Government grants & subsidies | 62 201 000 | 18 207 000 | **80 408 000** | 71 951 607 | **(8 456 393)** | 47 |
| **Transfer revenue** | | | | | | |
| Fines | 316 000 | (49 000) | **267 000** | 100 975 | **(166 025)** | |
| **Total revenue from non-exchange transactions** | **111 466 434** | **23 158 566** | **134 625 000** | **139 391 280** | **4 766 280** | |
| 'Total revenue from exchange transactions' | 195 208 137 | (892 776) | **194 315 361** | 186 207 768 | **(8 107 593)** | |
| 'Total revenue from non-exchange transactions' | 111 466 434 | 23 158 566 | **134 625 000** | 139 391 280 | **4 766 280** | |
| **Total revenue** | **306 674 571** | **22 265 790** | **328 940 361** | **325 599 048** | **(3 341 313)** | |
| **Expenditure** | | | | | | |
| Personnel | (64 014 632) | (4 368) | **(64 019 000)** | (71 116 670) | **(7 097 670)** | 47 |
| Remuneration of councillors | (5 268 392) | (473 608) | **(5 742 000)** | (5 036 936) | **705 064** | |
| Depreciation and amortisation | (35 000 000) | - | **(35 000 000)** | (32 560 597) | **2 439 403** | 47 |
| Finance costs | (3 494 000) | (300) | **(3 494 300)** | (1 660 258) | **1 834 042** | |
| Debt impairment | (12 000 000) | - | **(12 000 000)** | (14 452 108) | **(2 452 108)** | 47 |
| Repairs and maintenance | (11 428 000) | (500) | **(11 428 500)** | (10 326 354) | **1 102 146** | |
| Bulk purchases | (139 875 000) | 2 000 000 | **(137 875 000)** | (132 912 833) | **4 962 167** | 47 |
| Grants and subsidies paid | (7 069 000) | - | **(7 069 000)** | (6 142 844) | **926 156** | |
| General expenses | (35 777 038) | (7 047 576) | **(44 345 838)** | (42 435 189) | **1 910 649** | 47 |
| **Total expenditure** | **(313 926 062)** | **(5 526 352)** | **(320 973 638)** | **(316 643 789)** | **4 329 849** | |
| | 306 674 571 | 22 265 790 | **328 940 361** | 325 599 048 | **(3 341 313)** | |
| | (313 926 062) | (5 526 352) | **(320 973 638)** | (316 643 789) | **4 329 849** | |
| **Operating surplus** | **(7 251 491)** | **16 739 438** | **7 966 723** | **8 955 259** | **988 536** | |

## Statement of Comparison of Budget and Actual Amounts

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| Loss on disposal of assets and liabilities | - | - | **-** | (407 063) | **(407 063)** | |
| | (7 251 491) | 16 739 438 | **7 966 723** | 8 955 259 | **988 536** | |
| | - | - | **-** | (407 063) | **(407 063)** | |
| **Surplus before taxation** | **(7 251 491)** | **16 739 438** | **7 966 723** | **8 548 196** | **581 473** | |
| Deficit before taxation | (7 251 491) | 16 739 438 | **7 966 723** | 8 548 196 | **581 473** | |
| Taxation | - | - | **-** | - | **-** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **(7 251 491)** | **16 739 438** | **7 966 723** | **8 548 196** | **581 473** | |

# Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies are disclosed below.

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

**Receivables**

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

**Impairment testing**

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact management estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

**Provisions**

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 Provisions.

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

**Useful lives of property, plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

**Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

**Effective interest rate**

The municipality used the government bond rate to discount future cash flows.

**Allowance for impairment**

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### 1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| **Item** | **Average useful life** |
|---|---|
| Buildings | |
| • Property and permanent fixtures | 4-53 years |
| Plant and machinery | 10 years |
| Motor vehicles | 7 years |
| Office equipment and furniture | 7 years |
| Leased assets | 5 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only begins when the asset is available for use as envisaged by management; as such, capital work in progress is not subject to depreciation.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

### 1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values, as follows:

| Item | Useful life |
| --- | --- |
| Computer software, other | 5 years |

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

**Recognition**

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 4 Heritage assets.

**Initial measurement**

Heritage assets are initially recognised at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

**Subsequent measurement**

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

**Impairment**

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

**Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

### 1.7 Heritage assets (continued)

**Derecognition**

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

**Classification**

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
| --- | --- |
| Loans and receivables | Financial asset measured at amortised cost |
| Other receivables | Financial asset measured at amortised cost |
| Consumer receivables | Financial asset measured at amortised cost |
| Investments | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
| --- | --- |
| Finance lease liabilities | Financial liability measured at amortised cost |
| Trade payables | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |
| Long term loans | Financial liability measured at amortised cost |
| Other payables | Financial liability measured at amortised cost |

**Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

**Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.8 Financial instruments (continued)

**Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

**Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

**Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**Impairment and uncollectibility of financial assets**

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

### 1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 1.8 Financial instruments (continued)

**Derecognition**

**Financial assets**

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

**Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

### 1.9 Leases (continued)

**Finance leases - lessor**

The municipality recognises finance lease receivables as assets in the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

**Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

### 1.10 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### 1.12 Impairment of cash-generating assets (continued)

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

### 1.12 Impairment of cash-generating assets (continued)

**Reversal of impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

**Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

**Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### 1.13 Impairment of non-cash-generating assets (continued)

**Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Reversal of an impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

# Accounting Policies

### 1.14 Accumulated surplus reserve

The municipality's surplus or deficit for the year is accumulated in the accumulated surplus reserve in the statement of changes in net assets.

### 1.15 Value-added Tax

The municipality accounts for value-added tax (VAT) on the payment basis.

### 1.16 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

### 1.16 Employee benefits (continued)

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

**1.16 Employee benefits (continued)**

**Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

## Accounting Policies

**1.16 Employee benefits (continued)**

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.16 Employee benefits (continued)

**Other long-term employee benefits**

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

**Termination benefits**

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

### 1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

### 1.17 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

### 1.17 Provisions and contingencies (continued)

**Decommissioning, restoration and similar liability**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 1.18 Revenue from exchange transactions (continued)

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

**Interest, royalties and dividends**

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

### 1.19 Revenue from non-exchange transactions (continued)

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

**Taxes (Property rates for municipalities)**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

**Transfers**

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

**Collection charges and penalties**

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

## Accounting Policies

### 1.19 Revenue from non-exchange transactions (continued)

**Fines**

Fines are recognised as revenue when the fines are being issued.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

**Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-kind are not recognised as revenue but are disclosed as a note.

**Concessionary loans received**

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense,  and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

### 1.24 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

### 1.25 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

### 1.27 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

### 1.28 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Accounting Policies

### 1.28 Offsetting (continued)

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**GRAP 25: Employee Benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

**GRAP 1 (as revised 2012): Presentation of Financial Statements**

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

**2. New standards and interpretations (continued)**

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**GRAP 16 (as revised 2012): Investment Property**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

**IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue**

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**IGRAP 16: Intangible Assets - Website Costs**

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

**2.2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2014 or later periods:

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it become effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 107: Mergers**

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 20: Related Parties**

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 32: Service Concession Arrangements: Grantor**

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 108: Statutory Receivables**

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, by-laws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

**GRAP 5 (revised 2013): Borrowing Costs**

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 100 (revised 2013): Discontinued Operations**

# Notes to the Annual Financial Statements

**2. New standards and interpretations (continued)**

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

### 3. Property, plant and equipment

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land and buildings | 374 869 452 | (90 408 049) | 284 461 403 | 341 177 098 | (83 151 624) | 258 025 474 |
| Motor vehicles | 14 835 411 | (8 178 355) | 6 657 056 | 13 954 256 | (7 454 518) | 6 499 738 |
| Infrastructure | 411 925 726 | (135 317 786) | 276 607 940 | 394 005 974 | (122 349 905) | 271 656 069 |
| Other equipment | 18 460 943 | (13 516 914) | 4 944 029 | 15 636 562 | (10 962 065) | 4 674 497 |
| Work in progress | 58 613 415 | - | 58 613 415 | 69 376 188 | - | 69 376 188 |
| Finance leased assets | 15 717 241 | (3 872 327) | 11 844 914 | 6 381 189 | 4 676 937 | 11 058 126 |
| **Total** | **894 422 188** | **(251 293 431)** | **643 128 757** | **840 531 267** | **(219 241 175)** | **621 290 092** |

## Notes to the Annual Financial Statements

**Figures in Rand**

### 3. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2014**

| | Opening balance | Additions | Disposals | Transfers | Other changes, movements | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Land, buildings and infrastructure | 537 611 754 | 12 230 424 | - | 34 906 270 | 2 840 364 | (28 850 461) | 558 738 351 |
| Plant and machinery | 1 331 099 | 630 238 | - | 737 454 | - | (557 036) | 2 141 755 |
| Motor vehicles | 6 499 738 | 445 219 | (367 452) | 1 491 999 | - | (1 412 448) | 6 657 056 |
| Office equipment | 2 801 788 | 1 133 778 | - | (193 634) | - | (939 655) | 2 802 277 |
| Capital work in progress | 69 376 188 | 21 474 302 | - | (36 919 358) | - | - | 53 931 132 |
| Finance leased assets | 1 506 011 | 11 539 350 | (39 611) | (515 113) | - | (645 723) | 11 844 914 |
| Landfill site | 2 163 514 | - | - | 492 382 | 4 397 043 | (39 665) | 7 013 274 |
| | **621 290 092** | **47 453 311** | **(407 063)** | **-** | **7 237 407** | **(32 444 988)** | **643 128 759** |

**Reconciliation of property, plant and equipment - 2013**

| | Opening balance | Additions | Additions at fair market value | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land, buildings and infrastructure | 566 007 601 | 273 093 | - | (1 876 630) | 1 228 071 | (28 020 381) | - | 537 611 754 |
| Plant and machinery | 2 223 011 | 230 303 | 19 446 | (218 028) | - | (920 467) | (3 166) | 1 331 099 |
| Motor vehicles | 7 386 598 | 649 040 | - | - | - | (1 535 900) | - | 6 499 738 |
| Landfill | 3 130 625 | - | 122 402 | (71 282) | - | (379 957) | - | 2 801 788 |
| Capital work in progress | 40 653 704 | 28 722 484 | - | - | - | - | - | 69 376 188 |
| Finance leased assets | 2 118 759 | - | - | (51 908) | - | (560 840) | - | 1 506 011 |
| Landfill site | 2 203 351 | - | - | - | - | (39 837) | - | 2 163 514 |
| | **623 723 649** | **29 874 920** | **141 848** | **(2 217 848)** | **1 228 071** | **(31 457 382)** | **(3 166)** | **621 290 092** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 3. Property, plant and equipment (continued)

**Assets subject to finance lease (Net carrying amount)**

| | 2014 | 2013 |
|---|---|---|
| Finance leased assets | 11 844 914 | 1 506 011 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Heritage assets

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 8 244 763 | - | 8 244 763 | 8 244 763 | - | 8 244 763 |

**Reconciliation of heritage assets 2014**

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 8 244 763 | 8 244 763 |

**Reconciliation of heritage assets 2013**

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 8 244 763 | 8 244 763 |

**Heritage assets which fair values cannot be reliably measured**

**Transitional provisions**

**Heritage assets recognised at provisional amounts**

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note , certain heritage asset with a carrying value of R 8 244 763 (2013: R 8 244 763) was recognised at provisional amounts. Carrying amounts of heritage asset carried at provisional amounts are as follows:

**Due to initial adoption of GRAP 103**

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

Heritage assets were valued by an independent valuer. These values were determined upon initial recognition of property, plant and equipment in terms of GRAP 17. Due to the change in accounting policy, heritage assets were recognised at the deemed cost determined with the adoption of GRAP 17. Certain assets were determined at a provisional value in terms of the transitional provisions applicable to the new adoption of GRAP 103.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

### 5. Intangible assets

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 1 283 865 | (952 288) | 331 577 | 1 275 113 | (836 679) | 438 434 |

**Reconciliation of intangible assets - 2014**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 438 434 | 8 750 | (115 607) | 331 577 |

**Reconciliation of intangible assets - 2013**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 185 775 | 310 280 | (57 621) | 438 434 |

### 6. Financial assets

**Assets held at amortised cost**

| | 2014 | 2013 |
|---|---|---|
| **Current portion** | | |
| ABSA call account - account number 9106646490 | 956 | 1 252 |
| FNB 32 day call - Housing Operating - account number 74407973409 | 2 120 241 | 2 018 390 |
| FNB call account - account number 74453547422 | 6 076 932 | - |
| FNB call account - account number 62033811995 | 3 124 373 | 57 703 |
| FNB fixed deposit - account number 71048724530 | 11 000 | - |
| FNB land sales - account number 62216019019 | 1 201 947 | 1 162 814 |
| FNB money market - INEP - account number 62347581060 | 4 837 200 | 526 603 |
| FNB money market - MIG - account number 62281385130 | 7 015 250 | 1 599 340 |
| FNB money market - NDPG - account number 62232266991 | 31 007 | 10 461 537 |
| FNB money market - Small Town Rehabilitation - account number 62347582050 | 6 659 816 | 9 266 769 |
| FNB MSIG - account number 62216024737 | 484 737 | 2 408 586 |
| Standard Bank - account number 75075646 | 12 528 | - |
| | **31 575 987** | **27 502 994** |

| | 2014 | 2013 |
|---|---|---|
| **Non-current portion** | | |
| Nedbank fixed deposits - account number 19542952 | 22 063 | 22 063 |
| Borough of Dundee - certificate number B719 | - | 7 200 |
| Standard Bank - account number 75075646 | - | 12 528 |
| FNB fixed deposit - account number 71021254116 | 36 246 | 36 246 |
| FNB fixed deposit - account number 71048724530 | - | 11 000 |
| FNB fixed deposit - account number 71066697123 | 14 000 | 14 000 |
| | **72 309** | **103 037** |

None of these assets are pledged as security.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 7. Cash and cash equivalents (continued)

| | 2014 | 2013 |
|---|---|---|
| Cash on hand | 8 738 | 6 738 |
| Cash book balances | 7 340 329 | 13 516 735 |
| | **7 349 067** | **13 523 473** |

**Cash and cash equivalents pledged as collateral**

The bank account was not pledged as security.

**The municipality had the following bank account**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | **30 June 2014** | **30 June 2013** | **30 June 2012** | **30 June 2014** | **30 June 2013** | **30 June 2012** |
| First National Bank - Current account - 522000363994 | 7 957 943 | 13 993 617 | 14 743 109 | 7 340 329 | 13 516 735 | 13 357 709 |

## 8. Consumer receivables from exchange transactions

| | 2014 | 2013 |
|---|---|---|
| **Gross balances** | | |
| Electricity | 11 954 447 | 7 276 582 |
| Refuse | 9 385 556 | 9 568 972 |
| Sundry debtors | 2 882 451 | 3 523 041 |
| | **24 222 454** | **20 368 595** |
| **Less: Allowance for impairment** | | |
| Electricity | (1 629 002) | (2 381 201) |
| Refuse | (8 747 862) | (9 032 379) |
| Sundry debtors | (2 600 496) | (3 321 076) |
| | **(12 977 360)** | **(14 734 656)** |
| **Net balance** | | |
| Electricity | 10 325 445 | 5 513 714 |
| Refuse | 637 694 | 536 594 |
| Sundry debtors | 281 955 | 201 965 |
| | **11 245 094** | **6 252 273** |
| **Electricity** | | |
| Current (0 -30 days) | 9 382 178 | 4 508 824 |
| 31 - 60 days | 520 937 | 1 004 890 |
| 61 - 90 days | 422 330 | - |
| | **10 325 445** | **5 513 714** |
| **Refuse** | | |
| Current (0 -30 days) | 277 146 | 319 708 |
| 31 - 60 days | 185 303 | 216 886 |
| 61 - 90 days | 175 245 | - |
| | **637 694** | **536 594** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 8. Consumer receivables from exchange transactions (continued)

| | | |
|---|---|---|
| **Other (specify)** | | |
| Current (0 -30 days) | 190 443 | 116 068 |
| 31 - 60 days | 64 721 | 85 897 |
| 61 - 90 days | 26 791 | - |
| | **281 955** | **201 965** |

**Summary of receivables (exchange and non exchange) by customer classification**

| | | |
|---|---|---|
| **Consumers** | | |
| Current (0 -30 days) | 5 425 354 | 2 985 733 |
| 31 - 60 days | 960 429 | 917 090 |
| 61 - 90 days | 860 679 | 833 261 |
| > 90 days | 48 229 905 | 48 740 174 |
| | **55 476 367** | **53 476 258** |
| **Industrial/ commercial** | | |
| Current (0 -30 days) | 5 193 193 | 3 959 915 |
| 31 - 60 days | 755 653 | 887 707 |
| 61 - 90 days | 558 434 | 415 817 |
| > 90 days | 8 103 412 | 3 932 801 |
| | **14 610 692** | **9 196 240** |
| **National and provincial government** | | |
| Current (0 -30 days) | 1 574 797 | 419 213 |
| 31 - 60 days | 2 637 405 | 268 660 |
| 61 - 90 days | 934 384 | 25 873 |
| > 91 days | 17 249 376 | 9 188 602 |
| | **22 395 962** | **9 902 348** |
| **Total (exchange and non-exchange)** | | |
| 31 - 60 days | 12 844 959 | 7 990 955 |
| 61 - 90 days | 5 229 833 | 2 583 210 |
| 91 - 120 days | 2 527 715 | 2 018 344 |
| 121 - 365 days | 73 633 010 | 65 432 209 |
| | 94 235 517 | 78 024 718 |
| Less: Allowance for impairment | (38 764 965) | (34 913 137) |
| | **55 470 552** | **43 111 581** |
| **Sundry** | | |
| Less: Allowance for impairment | 651 615 | 626 093 |
| 31 - 60 days | 876 345 | 509 753 |
| 61 - 90 days | 174 219 | 743 393 |
| 91 - 120 days | 50 317 | 3 570 633 |
| | **1 752 496** | **5 449 872** |

| | | |
|---|---|---|
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (14 116 323) | (15 189 121) |
| Contributions to allowance | (13 595 693) | (14 734 656) |
| Reversal of allowance | 14 734 656 | 15 189 121 |
| | **(12 977 360)** | **(14 734 656)** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 8. Consumer receivables from exchange transactions (continued)

**Receivables from exchange transactions past due but not impaired**

At 30 June 2014, R 42 625 592 (2013: R 35 120 457) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | 2014 | 2013 |
|---|---|---|
| 1 month past due | 5 229 833 | 2 583 210 |
| 2 months past due | 2 527 715 | 1 315 857 |
| 3 months past due | 34 868 045 | 31 221 390 |

**Receivables from exchange transactions impaired**

As of 30 June 2014, receivables from exchange transactions of R 38 764 965 (2013: R 30 378 242) were impaired and provided for.

The ageing of these receivables is as follows:

| | 2014 | 2013 |
|---|---|---|
| Less than 3 months but highly improbable | - | 3 691 747 |
| Over 3 months | 38 764 965 | 31 221 390 |

### 9. Other receivables from exchange transactions

| | 2014 | 2013 |
|---|---|---|
| Stamps on hand | 2 036 | 2 036 |
| Department of health | 295 445 | 295 445 |
| | **297 481** | **297 481** |

### 10. Receivables from non-exchange transactions

| | 2014 | 2013 |
|---|---|---|
| Property rates | 44 225 458 | 36 859 322 |

| | 2014 | 2013 |
|---|---|---|
| **Property rates: Gross balance** | 70 041 670 | 57 656 123 |
| Property rates: Allowance for impairment | (25 787 605) | (20 796 814) |
| Property rates: Net balance | 44 225 458 | 36 859 309 |

**Reconciliation of allowance for impairment**

| | 2014 | 2013 |
|---|---|---|
| Opening balance | (20 796 814) | (15 189 121) |
| Provision for impairment | (25 787 605) | (20 796 814) |
| Unused amounts reversed | 20 796 814 | 15 189 121 |
| | **(25 787 605)** | **(20 796 814)** |

### 11. Loans and receivables

| | 2014 | 2013 |
|---|---|---|
| **At amortised cost** | | |
| Loans and receivables | 507 847 | 554 641 |
| The loans are secured by the land sold. No provisions have been made for doubtful debts as the debts owing are considered recoverable. | | |
| | - | - |
| | - | - |
| | 507 847 | 554 641 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 11. Loans and receivables (continued)

| | | |
|---|---|---|
| **Current assets** | | |
| At amortised cost | 507 847 | 554 641 |
| Non-current assets | - | - |
| Current assets | 507 847 | 554 641 |

### 12. Inventories

| | | |
|---|---|---|
| Consumable stores | 1 323 370 | 1 487 716 |

### 13. VAT receivable (payable)

| | | |
|---|---|---|
| VAT | 16 144 974 | 13 188 933 |

### 14. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 4 787 544 | 889 922 |
| - in second to fifth year inclusive | 14 839 247 | 1 657 207 |
| | 19 626 791 | 2 547 129 |
| less: future finance charges | (5 287 181) | (766 807) |
| **Present value of minimum lease payments** | **14 339 610** | **1 780 322** |
| | | |
| **Present value of minimum lease payments due** | | |
| - within one year | 3 032 408 | 534 065 |
| - in second to fifth year inclusive | 11 307 202 | 1 246 257 |
| | **14 339 610** | **1 780 322** |
| | | |
| Non-current liabilities | 11 307 202 | 1 246 257 |
| Current liabilities | 3 032 408 | 534 065 |
| | **14 339 610** | **1 780 322** |

The above leases relate to the lease of municipal motor vehicles and equipment.

Interest rates are linked to prime at the contract date. Contingent rents have been recognised as an expense R Nil (2013: R315,521) as a result of certain conditions in the contract.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The leased assets are indicated in note 3 and annexure B.

### 15. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Good governance grant | 84 547 | 84 547 |
| Municipal Infrastructure Grant (MIG) | 5 482 793 | 1 263 293 |
| Neighbourhood development partnership grant | - | 7 439 585 |
| Small town rehabilitation grant | 11 599 065 | 7 528 124 |
| Sport infrastructure grant | 108 617 | 525 000 |
| INEP | 1 644 471 | - |
| MSIG | 2 450 | - |
| | **18 921 943** | **16 840 549** |

### 15. Unspent conditional grants and receipts (continued)

**Movement during the year**

| | 2014 | 2013 |
|---|---|---|
| Balance at the beginning of the year | 16 840 549 | 16 044 682 |
| Additions during the year | 74 033 000 | 35 887 000 |
| Income recognition during the year | (71 951 606) | (32 991 133) |
| Returned to National Treasury | - | (2 100 000) |
| | **18 921 943** | **16 840 549** |

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 16. Long term loan

The municipality has received three loans from the Development Bank of Southern Africa (DBSA). The three loans fund the implementation of the new municipal property rates act (valuation roll), the purchase of plant and equipment, and the upgrade of the electricity infrastructure. The loan term of the property valuation loan was 4 years, repayable in 2013, the loan term for the plant and equipment is 10 years and the term for the electricity infrastructure is 20 years. The interest rate is 6.75%.

| | 2014 | 2013 |
|---|---|---|
| Non-current portion | 8 002 068 | 8 727 956 |
| Current portion | 366 635 | 929 782 |
| | **8 368 703** | **9 657 738** |

### 17. Deposits on sale of land

| | 2014 | 2013 |
|---|---|---|
| Deposits received for the sale of land | 733 660 | - |

### 18. Provisions

**Reconciliation of provisions - 2014**

| | Opening Balance | Additions | Total |
|---|---|---|---|
| Legal proceedings | 38 235 | - | 38 235 |
| Provision for landfill site | 532 400 | 4 420 134 | 4 952 534 |
| | **570 635** | **4 420 134** | **4 990 769** |

**Reconciliation of provisions - 2013**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Legal proceedings | 103 616 | 38 235 | (103 616) | 38 235 |
| Provision for landfill site | 484 000 | 48 400 | - | 532 400 |
| | **587 616** | **86 635** | **(103 616)** | **570 635** |

The landfill site provision is a provision to rehabilitate the landfill site. The landfill site currently has an estimated useful life of 20 years. A valuation for the rehabilitation of the landfill site was conducted by the municipality and certified by authorised civil engineers.

The legal provision is in relation to the telkom lines that were cut by civil department when they were digging to fix the road

### 19. Consumer deposits

| | 2014 | 2013 |
|---|---|---|
| Electricity | 3 040 779 | 2 844 579 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 19. Consumer deposits (continued)

Guarantees held in lieu of electricity deposits R1,885,165 (2013: R1,885,165)

### 20. Employee benefit obligations

**Defined benefit plan**

**Post retirement benefit plan**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.
All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

**Post retirement medical aid plan**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by One Pangea Financial. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The plan is a post employment medical benefit plan.

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
|---|---|---|
| Discount rates used (D) | 8,59 % | 7,25 % |
| Consumer price inflation (C) | 6,36 % | 6,25 % |
| Health care cost inflation (H) | 7,86 % | 6,75 % |
| Salary inflation (S) | - % | 7,15 % |
| Net Discount rate ((1+D)/(1+H)-1) | 0,68 % | 0,47 % |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 20. Employee benefit obligations (continued)

| | | |
|---|---|---|
| Present value of the defined benefit obligation | (16 766 000) | (15 122 000) |
| Short term portion of retirement benefit obligations | (1 103 000) | (981 000) |
| Long term portion of retirement benefit obligations | (15 663 000) | (14 141 000) |
| | **(16 766 000)** | **(15 122 000)** |

### 21. Housing operating account

| | | |
|---|---|---|
| Housing operating account | 1 095 260 | 1 095 260 |

### 22. Revenue

| | | |
|---|---|---|
| Rendering of services | 2 136 652 | 2 128 637 |
| Service charges | 175 220 102 | 163 354 770 |
| Licences and permits | 4 853 595 | 4 705 421 |
| Administration and management fees received | 1 720 | 2 200 |
| Fees earned | 46 067 | 29 780 |
| Rental income | 463 433 | 387 449 |
| Other income | 1 043 355 | 672 005 |
| Interest received - investment | 2 442 844 | 2 261 109 |
| Property rates | 60 174 153 | 38 105 895 |
| Property rates - penalties imposed | 7 164 545 | 5 597 986 |
| Government grants & subsidies | 71 951 607 | 66 893 132 |
| Fines | 100 975 | 46 265 |
| | **325 599 048** | **284 184 649** |

| | | |
|---|---|---|
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 175 220 102 | 163 354 770 |
| Rendering of services | 2 136 652 | 2 128 637 |
| Licences and permits | 4 853 595 | 4 705 421 |
| Administration and management fees received | 1 720 | 2 200 |
| Fees earned | 46 067 | 29 780 |
| Rental income | 463 433 | 387 449 |
| Other income | 1 043 355 | 672 005 |
| Interest received - investment | 2 442 844 | 2 261 109 |
| | **186 207 768** | **173 541 371** |

| | | |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 60 174 153 | 38 105 895 |
| Property rates - penalties imposed | 7 164 545 | 5 597 986 |
| **Transfer revenue** | | |
| Government grants & subsidies | 71 951 607 | 66 893 132 |
| Fines | 100 975 | 46 265 |
| | **139 391 280** | **110 643 278** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 23. Property rates

### Rates received

| | | |
|---|---|---|
| Property rates | 92 592 250 | 69 040 278 |
| Less: Income forgone | (32 418 097) | (30 934 383) |
| | 60 174 153 | 38 105 895 |
| Property rates - penalties imposed | 7 164 545 | 5 597 986 |
| | **67 338 698** | **43 703 881** |

### Valuations

| | | |
|---|---|---|
| Agriculture | 643 174 000 | 507 914 000 |
| Agriculture smallholding | 116 207 000 | 93 969 000 |
| Commercial | 453 067 000 | 351 249 000 |
| Communal property association | 265 797 000 | 170 321 000 |
| Industrial | 396 560 000 | 354 378 000 |
| Institutional | 19 392 000 | 22 812 000 |
| Municipal | 179 075 400 | 214 752 333 |
| Conservation - Nema | 10 000 000 | 7 005 000 |
| Public benefit organisation | 830 000 | 1 700 000 |
| Public service infrastructure | 40 662 000 | 44 444 845 |
| Recreational club | 1 751 000 | - |
| Residential | 1 744 225 500 | 1 596 866 120 |
| Informal residential | 21 938 000 | - |
| Residential hospitality | 27 225 000 | 24 280 000 |
| Sectional title - commercial | 12 765 000 | 11 739 000 |
| Sectional title - residential | 63 180 000 | 55 851 000 |
| Sectional title - residential hospitality | 2 450 000 | 2 043 000 |
| State owned | 796 681 000 | 291 337 000 |
| Place of worship | 69 003 000 | 50 892 000 |
| | **4 863 982 900** | **3 801 553 298** |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an a monthly basis and are payable on the 1st of each month. Interest at 1.5% per annum (2013: 1.5%) and a collection fee of 10% (2013: 10%), is levied on rates outstanding one month after due date.

The new general valuation will be implemented on 01 July 2017.

## 24. Service charges

| | | |
|---|---|---|
| Sale of electricity | 168 690 974 | 158 001 338 |
| Refuse removal | 6 529 128 | 5 353 432 |
| | **175 220 102** | **163 354 770** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 25. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Caretaker maintainance grant | 300 000 | - |
| Community library services grant | 240 000 | - |
| Department of health grant | - | 1 413 000 |
| Equitable share | 33 196 000 | 29 647 000 |
| EPWP grant | 1 000 000 | - |
| Finance management grant | 1 550 000 | 1 500 000 |
| Municipal systems improvement grant | 887 550 | 800 000 |
| Museum | 568 000 | 268 000 |
| National youth development grant | - | 1 680 000 |
| Provicialisation of libraries | 1 878 000 | 894 000 |
| Sports infrastructure grant | 1 466 383 | - |
| | 40 545 933 | 34 789 000 |
| **Capital grants** | | |
| INEP | 10 555 529 | 3 994 575 |
| Municipal infrastructure grant | 10 941 500 | 13 237 969 |
| Neighbourhood development partnership grant | 7 439 585 | 6 195 196 |
| Small town rehabilitation grant | 1 929 060 | 7 263 392 |
| | 20 310 145 | 26 696 557 |
| | **71 951 607** | **66 893 132** |

**Caretaker maintainance grant**

| | | |
|---|---|---|
| Current-year receipts | 300 000 | - |
| Conditions met - transferred to revenue | (300 000) | - |
| | - | - |

To provide support to primary caretakers.

**Community library services**

| | | |
|---|---|---|
| Current-year receipts | 240 000 | - |
| Conditions met - transferred to revenue | (240 000) | - |
| | - | - |

To support the provision of community library services.

**EPWP grant**

| | | |
|---|---|---|
| Current-year receipts | 1 000 000 | - |
| Conditions met - transferred to revenue | (1 000 000) | - |
| | - | - |

To implement part of the Expanded Public Works Programme.

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. 100% of the grant is used to subside the indigent community members.

**Finance management grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 1 500 000 |
| Current-year receipts | 1 550 000 | - |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

**25. Government grants and subsidies (continued)**

| | | |
|---|---|---|
| Conditions met - transferred to revenue | (1 550 000) | (1 500 000) |
| | - | - |

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through capacity building in financial management.

**Good governance grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 84 547 | 84 547 |

Conditions still to be met - remain liabilities (see note 15).

This grant is used to assist the municipality in achieving good governance.

**INEP**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 3 994 575 |
| Current-year receipts | 12 200 000 | - |
| Conditions met - transferred to revenue | (10 555 529) | (3 994 575) |
| | **1 644 471** | **-** |

Conditions still to be met - remain liabilities (see note 15).

This grant is used for the installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support sustained supply of electricity and to eradicate the electrification backlogs.

**MAP grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 210 291 |
| Conditions met - transferred to revenue | - | (210 291) |
| | **-** | **-** |

The management assistance programme is funding from provincial government used to assist in the areas of financial management and other capital projects required to ensure the financial viability of the municipality.

**Municipal infrastructure grant (MIG)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 1 263 293 | 1 206 091 |
| Current-year receipts | 15 161 000 | 12 749 000 |
| Conditions met - transferred to revenue | (10 941 500) | (12 691 798) |
| | **5 482 793** | **1 263 293** |

Conditions still to be met - remain liabilities (see note 15).

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. It is currently used for the construction of gravel roads, building of creches and for fencing of the landfill site.

**MSIG**

| | | |
|---|---|---|
| Current-year receipts | 890 000 | - |
| Conditions met - transferred to revenue | (887 550) | - |
| | **2 450** | **-** |

Conditions still to be met - remain liabilities (see note 15).

### 25. Government grants and subsidies (continued)

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical skills.

**Museum grant**

| | | |
|---|---|---|
| Current-year receipts | 568 000 | - |
| Conditions met - transferred to revenue | (568 000) | - |
| | **-** | **-** |

This grant is used to manage and maintain the museums in the municipality.

**Neighbourhood development partnership grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 7 439 585 | 5 167 953 |
| Funds returned to National Treasury | - | (2 100 000) |
| Current year receipts | - | 11 113 000 |
| Conditions met - transferred to revenue | (7 439 585) | (6 741 368) |
| | **-** | **7 439 585** |

This grant is utilised for neighbourhood upliftment and advancement.

**Provincialisation of libraries**

| | | |
|---|---|---|
| Current-year receipts | 1 878 000 | - |
| Conditions met - transferred to revenue | (1 878 000) | - |
| | **-** | **-** |

This loan is used to restructuring the operation of libraries.

**Small town rehabilitation grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 7 528 124 | 5 591 516 |
| Current-year receipts | 6 000 000 | 9 200 000 |
| Conditions met - transferred to revenue | (1 929 059) | (7 263 392) |
| | **11 599 065** | **7 528 124** |

Conditions still to be met - remain liabilities (see note 15).

This grant is allocated to small towns to rejuvenate and encourage growth.

**Sport infrastructure grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 525 000 | - |
| Current-year receipts | 1 050 000 | 525 000 |
| Conditions met - transferred to revenue | (1 466 383) | - |
| | **108 617** | **525 000** |

Conditions still to be met - remain liabilities (see note 15).

This grant is used for the upgrading of sport facilities.

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 26. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Bank | 524 394 | 690 339 |
| Interest charged on trade and other receivables | 668 065 | 832 745 |
| Interest received from investments | 1 196 383 | 672 387 |
| Interest received from land sales | 54 002 | 65 638 |
| | **2 442 844** | **2 261 109** |
| | - | - |
| | 2 442 844 | 2 261 109 |

### 27. Employee related costs

| | | |
|---|---|---|
| Basic | 45 232 959 | 40 554 636 |
| Bonus | 3 989 444 | 4 087 824 |
| Car allowance | 1 660 892 | 1 694 427 |
| Group life insurance | 365 200 | 283 240 |
| Housing benefits and allowances | 222 868 | 235 346 |
| Leave pay accrual charge | 1 776 252 | (272 270) |
| Long-service awards | 3 000 | 9 000 |
| Medical aid - company contributions | 3 510 245 | 2 769 052 |
| Other allowances | 905 276 | 769 741 |
| Other payroll levies | 30 105 | 25 456 |
| Overtime payments | 2 882 673 | 2 068 912 |
| Pension funds | 7 563 769 | 6 053 199 |
| Post-employment benefits | 1 644 000 | 2 521 000 |
| Redemption of leave | 279 459 | 358 568 |
| SDL | 600 461 | 551 392 |
| UIF | 450 067 | 391 798 |
| | **71 116 670** | **62 101 321** |

**Remuneration of Ms PN Njoko - Municipal Manager**

| | | |
|---|---|---|
| Annual remuneration | 1 011 722 | 951 761 |
| Leave pay | - | 57 196 |
| Travel allowance | 10 638 | 5 390 |
| Unemployment insurance fund | 1 785 | 1 689 |
| | **1 024 145** | **1 016 036** |

**Remuneration of Mr MJ Zulu - Chief Financial Officer**

| | | |
|---|---|---|
| Annual remuneration | 380 100 | - |
| Subsistence allowances | 17 988 | - |
| Travel allowance | 112 000 | - |
| Telephone allowance | 15 292 | - |
| Unemployment insurance fund | 1 041 | - |
| | **526 421** | **-** |

During the year, Mrs N Thomas vacated her office as at 31 August 2013, and Mr MJ Zulu took over as Chief Financial Officer as of 25 November 2013.

**Remuneration of Mrs N Thomas - Chief Finance Officer**

| | | |
|---|---|---|
| Annual remuneration | 105 369 | 602 959 |
| Travel allowance | 36 000 | 177 459 |
| Unemployment insurance fund | 297 | 1 689 |
| | **141 666** | **782 107** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 27. Employee related costs (continued)

**Remuneration of Mr EH Dladla - Director Planning, Economic and Social Services**

| | | |
|---|---|---|
| Annual Remuneration | 501 000 | 501 816 |
| Housing allowance | 86 665 | 85 712 |
| Telephone allowance | 31 050 | 30 978 |
| Travel allowance | 172 750 | 167 926 |
| Acting allowance | 40 000 | 7 113 |
| 13 cheque | 41 750 | - |
| Subsistence and travelling | 1 639 | 8 430 |
| Unemployment insurance fund | 1 785 | 1 689 |
| | **876 639** | **803 664** |

**Remuneration of Mr HB Chotoo - Director Corporate Services**

| | | |
|---|---|---|
| Annual remuneration | 659 304 | 620 230 |
| Acting CFO allowance | 1 419 | - |
| Subsistence and travelling | 35 012 | 38 078 |
| Unemployment insurance fund | 1 785 | 1 689 |
| | **697 520** | **659 997** |

**Remuneration of Mr PPS Zamisa - Director Technical Services**

| | | |
|---|---|---|
| Annual remuneration | 290 556 | 431 224 |
| Housing allowance | 9 395 | 2 349 |
| Telephone allowance | 6 400 | 6 658 |
| Travel allowance | 120 000 | 180 000 |
| Leave pay | 67 299 | - |
| Unemployment insurance fund | 1 338 | 1 689 |
| | **494 988** | **621 920** |

Mr PPS Zamisa vacated his office on 21 February 2013 and his outstanding leave was settled.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations and as determined by Government Gazette 37281, 29 January 2014.

## 28. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 442 060 | 421 010 |
| Deputy mayor | 318 838 | 321 782 |
| Executive committee members | 182 350 | 174 117 |
| Speaker | 353 649 | 336 808 |
| Councillors | 1 592 286 | 1 577 752 |
| Councillors' pension contribution | 429 379 | 403 954 |
| Councillors allowances | 1 717 549 | 1 365 789 |
| | **5 036 111** | **4 601 212** |

### 28. Remuneration of councillors (continued)

**In-kind benefits**

The mayor, deputy mayor, and speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the council.

The mayor has the use of a council owned vehicle and council owned back-up vehicle for official duties.

The mayor has four full-time bodyguards. The deputy mayor and speaker have two full-time bodyguards each.
Salaries , allowances and benefits of councillors as disclosed in note 28 of this financial statements are within the upper limits of the Framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporate Governance and Traditional Affairs determined in accordance with this act.

| **Executive Mayor** | Basic | Travel Allowance | Contributions to Medical and Pension Funds | Total |
|---|---|---|---|---|
| Dlamini, BD | 442 060 | 203 525 | 66 309 | 711 894 |
| Total | 442 060 | 203 525 | 66 309 | 711 894 |

| **Speaker** | Basic | Travel Allowance | Contributions to Medical and Pension Funds | Total |
|---|---|---|---|---|
| Nunes, CJS | 353 649 | 160 033 | 53 047 | 566 729 |
| Total | 353 649 | 160 033 | 53 047 | 566 729 |

| **Councillors** | Basic | Travel Allowance | Contributions to Medical and Pension Funds | Total |
|---|---|---|---|---|
| Chetty, U | 34 937 | 19 790 | 4 973 | 59 700 |
| Dladla, BS | 132 618 | 75 305 | 19 893 | 227 816 |
| Dlamini, BA | 318 838 | 150 935 | 47 826 | 517 599 |
| Dubazane, TC | 132 618 | 75 305 | 19 893 | 227 816 |
| Duma, TG | 132 618 | 75 305 | 19 893 | 227 816 |
| Gericke, RP | 132 618 | 75 305 | 19 893 | 227 816 |
| Lite, E | 132 618 | 75 305 | 19 893 | 227 816 |
| Magubane, SD | 132 618 | 77 696 | 19 893 | 230 207 |
| Majola, EM | 182 350 | 111 465 | 27 352 | 321 167 |
| Mchunu, ME | 132 618 | 75 305 | 19 893 | 227 816 |
| Mlambo, SM | 132 618 | 75 305 | 19 893 | 227 816 |
| Mlele, SC | 132 618 | 75 305 | 19 893 | 227 816 |
| Sulieman, B | 152 511 | 75 305 | - | 227 816 |
| Vahed, DM | 71 300 | 40 487 | 11 052 | 122 839 |
| Vilakazi, KA | 132 618 | 75 305 | 19 893 | 227 816 |
| Zwane, Z | 132 618 | 75 305 | 19 893 | 227 816 |
| | **2 218 734** | **1 228 728** | **310 026** | **3 757 488** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 29. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 32 444 990 | 31 457 382 |
| Intangible assets | 115 607 | 57 621 |
| | **32 560 597** | **31 515 003** |

### 30. Impairment of assets

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | - | 3 166 |
| | - | 3 166 |
| | - | - |

### 31. Finance costs

| | | |
|---|---|---|
| Finance leases | 1 625 403 | 683 194 |
| Unwinding discount - landfill site | 23 089 | 48 400 |
| Other interest paid | 11 766 | 82 264 |
| | **1 660 258** | **813 858** |

### 32. Debt impairment

| | | |
|---|---|---|
| Contributions to allowance for impairment | 3 851 829 | 5 872 703 |
| Debts impaired | 10 600 279 | 584 078 |
| | **14 452 108** | **6 456 781** |

The provision for impairment for 2014: R38,764,965.48 (2013: R34,913,137) was raised and the prior year provision reversed. During the financial year, council had taken a resolution to write off debt of R10,600,279 (2013: R584,078).

### 33. Bulk purchases

| | | |
|---|---|---|
| Electricity | 132 912 833 | 129 226 756 |

Electricity losses amounted to 8,792,234 KWH, or 4.328% of the total units purchased.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 34. General expenses

| | | |
|---|---|---|
| Advertising | 512 741 | 266 998 |
| Auditors remuneration | 1 171 704 | 976 551 |
| Bank charges | 561 709 | 710 565 |
| Chemicals | 61 545 | 60 029 |
| Cleaning | 33 887 | 13 357 |
| Commission paid | 2 275 191 | 2 457 780 |
| Consulting and professional fees | 1 309 565 | 1 527 191 |
| Donations | 488 709 | 153 831 |
| Electricity | 1 536 453 | 1 496 031 |
| Entertainment | 60 017 | 77 066 |
| Farming only | 378 130 | - |
| Fleet | 449 357 | 571 671 |
| Fuel and oil | 2 018 109 | 2 007 236 |
| Indigent burials | 95 509 | 143 086 |
| Internal audit fees | 912 973 | 1 045 355 |
| Insurance | 1 021 175 | 777 687 |
| IT expenses | 89 075 | 29 655 |
| Lease rentals on operating lease | 2 072 942 | 1 781 753 |
| Levies | (66 644) | 495 404 |
| Other expenses | 1 560 650 | 939 779 |
| Pest control | 2 028 | - |
| Postage and courier | 337 960 | 337 400 |
| Printing and stationery | 535 678 | 549 961 |
| Project maintenance costs | 1 172 874 | 996 142 |
| Promotions | 21 023 | 20 000 |
| Protective clothing | 549 414 | 383 145 |
| Public participation | 101 964 | 40 863 |
| Publicity | 250 749 | 54 393 |
| Refuse | 236 807 | 209 956 |
| Registration support fees | 287 413 | 295 818 |
| Rental and hire of plant and equipment | 1 620 764 | 1 628 065 |
| Security (Guarding of municipal property) | 10 128 593 | 9 695 706 |
| Software expenses | 924 657 | 978 769 |
| Staff bursaries | 132 070 | 72 875 |
| Telephone and fax | 2 054 973 | 1 973 007 |
| Youth development | 2 995 049 | - |
| Training | 352 655 | 1 680 622 |
| Travel - local | 707 793 | 529 542 |
| Updating asset register | 378 962 | - |
| Valuation roll expenses | 729 569 | 2 425 901 |
| Venue expenses | 1 015 963 | - |
| Water | 1 355 434 | 1 409 845 |
| | **42 435 189** | **38 813 035** |

### 35. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 1 171 704 | 976 551 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 36. Financial instruments disclosure

### Categories of financial instruments

### 2014

#### Financial assets

| | At amortised cost | Total |
|---|---|---|
| Cash and cash equivalents | 7 349 067 | 7 349 067 |
| Consumer receivables from exchange transactions | 11 245 094 | 11 245 094 |
| Other receivables from exchange transactions | 297 481 | 297 481 |
| Receivables from non-exchange transactions | 44 225 458 | 44 225 458 |
| Loans and receivables | 507 847 | 507 847 |
| Investments | 31 648 296 | 31 648 296 |
| | **95 273 243** | **95 273 243** |

#### Financial liabilities

| | At amortised cost | Total |
|---|---|---|
| Payables from exchange transactions | 41 610 682 | 41 610 682 |
| Consumer deposits | 3 040 779 | 3 040 779 |
| | **44 651 461** | **44 651 461** |

### 2013

#### Financial assets

| | At amortised cost | Total |
|---|---|---|
| Cash and cash equivalents | 13 523 473 | 13 523 473 |
| Consumer receivables from exchange transactions | 6 252 273 | 6 252 273 |
| Other receivables from exchange transactions | 297 481 | 297 481 |
| Receivables from non-exchange transactions | 36 859 322 | 36 859 322 |
| Loans and receivables | 554 641 | 554 641 |
| Investments | 27 606 031 | 27 606 031 |
| | **85 093 221** | **85 093 221** |

#### Financial liabilities

| | At amortised cost | Total |
|---|---|---|
| Payables from exchange transactions | 35 800 967 | 35 800 967 |
| Consumer deposits | 2 844 579 | 2 844 579 |
| | **38 645 546** | **38 645 546** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
| --- | --- | --- |

## 37. Cash generated from operations

| | | |
| --- | --- | --- |
| Surplus (deficit) | 8 548 196 | (317 568) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 32 560 597 | 31 515 003 |
| Loss on sale of assets and liabilities | 407 063 | 844 768 |
| Adjustment to PPE | (2 840 363) | - |
| Finance costs | 1 625 405 | 731 606 |
| Impairment deficit | - | 3 166 |
| Debt impairment | 14 452 108 | 6 456 781 |
| Movements in retirement benefit assets and liabilities | 1 644 000 | 2 521 000 |
| Movements in provisions | 4 420 134 | (289 250) |
| Add back provision for landfill (capitalised portion) | (4 397 051) | - |
| **Changes in working capital:** | | |
| Inventories | 164 346 | (937 997) |
| Other receivables from exchange transactions | - | 1 042 364 |
| Consumer debtors | (19 444 941) | 23 093 138 |
| Other receivables from non-exchange transactions | (7 366 136) | (36 859 322) |
| Payables from exchange transactions | 5 809 716 | 8 592 386 |
| VAT | (2 956 041) | (1 695 794) |
| Unspent conditional grants and receipts | 2 081 394 | 795 867 |
| Consumer deposits | 196 200 | 224 294 |
| | **34 904 627** | **35 720 442** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 38. Commitments

**Commitments in respect of capital expenditure**

| | | |
|---|---|---|
| **- Approved and contracted for** | | |
| • Property, plant and equipment | 18 002 344 | 26 503 663 |
| **- Approved but not yet contracted for** | | |
| • Property, plant and equipment | 79 309 809 | 84 134 704 |

This expenditure will be financed from government grants.

The commitments relating to property, plant and equipment for 2013 were found to be misstated; the impact of this is shown below:

| | | |
|---|---|---|
| **-Approved and contracted for:** | | |
| - As previously reported | - | 39 564 313 |
| - Correction of error | - | (13 060 650) |
| | **-** | **26 503 663** |
| **- Approved but not yet contracted for** | | |
| - As previously reported | - | 80 695 032 |
| - Correction of error | - | 3 439 672 |
| | **-** | **84 134 704** |

**Commitments in respect of operating expenditure**

| | | |
|---|---|---|
| Contractual commitments (operating in nature) | 8 548 997 | 24 693 707 |

The commitments relating to property, plant and equipment for 2013 were found to be misstated; the impact of this is shown below:

| | | |
|---|---|---|
| **Commitments in respect of operating expenditure** | | |
| - As previously reported | - | 45 656 099 |
| - Correction of error | - | (21 071 553) |
| | **-** | **24 584 546** |

**Operating leases - as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 2 099 001 | 335 112 |
| - in second to fifth year inclusive | 3 434 823 | - |
| | **5 533 824** | **335 112** |

The municipality has operating leases with Wesbank for the lease of vehicles and the arrangements of the leases include:
- the basis on which contingent rent payable is determined,
- the existence and terms of renewal or purchase options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, additional debt, and further leasing.

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 39. Contingencies

The municipality is defending a matter against  Construction Company  for the amount R2 758 889.  The company had requested an interdict to prevent the municipality from advertising certain developments that they believe they were awarded. The municipality is of the opinion that the company had breached its contract with the municipality.  The outcome of the matter is not certain.

A firm of consultants was contracted to the uMtshezi Municipality to upgrade the Kwezi Hostel and are disputing the terms; the value of the disputed amount is R22,743.  The matter has been referred to the attorneys and the outcome thereof is uncertain.

The publishing company claim that they prepared a publication for the municipality, but the municipality is disputing this.  The value of the disputed amount is R67,249.  The matter has been referred to the attorneys.  The outcome of the matter is uncertain.

The municipality is disputing part of the invoice for the work done by a construction company.  The value of the disputed amount is R151,652.  The matter has been referred to the attorneys.  The outcome of the matter is not certain.

## 40. Related parties

No related party transactions were noted.]

## 41. Risk management

### Financial risk management

The municipality’s activities expose it to a variety of financial risks:  credit risk and liquidity risk and market risk, such as cash flow interest rate risk.

### Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the finance leases and the long term loans, the maturity of which are discussed in the finance lease note and the long term loans note.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents | 7 349 067 | 13 523 473 |
| Consumer receivables from exchange transactions | 11 245 094 | 6 252 273 |
| Other receivables from exchange transactions | 297 481 | 297 481 |
| Receivables from non-exchange transactions | 44 225 458 | 36 859 322 |
| Loans and receivables | 507 847 | 554 641 |
| Financial assets | 31 648 296 | 27 606 031 |

### Market risk

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 41. Risk management (continued)

**Interest rate risk**

As the municipality has few significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 654 579 294 and that the municipality's total assets exceed its liabilities by R 655 674 554.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 43. Events after the reporting date

No events were noted after the reporting date.

### 44. Irregular expenditure

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 1 938 788 | - |
| Add: Irregular Expenditure - current year | 1 322 300 | 12 792 802 |
| Less: Amounts condoned | (1 938 788) | (2 291 738) |
| Corrected error | - | (8 562 276) |
| | **1 322 300** | **1 938 788** |

**Analysis of expenditure awaiting condonation per age classification**

| | 2014 | 2013 |
|---|---|---|
| Current year | 1 322 300 | 1 938 788 |

**Details of irregular expenditure – current year**

| | | |
|---|---|---|
| Deviations from procurement policy | Condoned by council awaiting National Treasury approval | 1 322 300 |

### 45. In-kind donations and assistance

Assistance was given to the Municipality by KZN Provincial Treasury to assist the Municipality with cashflow management.

### 46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

| | Value | No. of transactions |
|---|---|---|
| Emergency | 128 997 | 10 |
| Impractical or impossible to follow procurement process | 175 348 | 26 |
| Sole supplier | 992 955 | 74 |
| | **1 297 300** | **110** |

## 47. Budget differences

**Material differences between budget and actual amounts**

Interest received:

There was interest received on external investments from the grants received. It was planned that all the grant funds would be fully utilised but there was R18 million recorded as unspent at the end of the financial year. The interest had accrued due to these funds being cash backed in investment accounts.

Property rates:

It was envisaged that a new supplementary roll, supplementary roll 1 of g.v roll 2 of 201/03/2014 would be issued during the financial year. This supplementary valuation roll was only issued by the municipal valuator after the financial year end.

Depreciation:

Some of the assets that were planned to be purchased from capital grants were not acquired. The funds allocated were recorded as unspent and the asset not purchased. This resulted in a decrease of the depreciation allocated.

Debt Impairment:

Each debtor had been analysed by a service provider in order to ascertain the provision for the debt impairment. All available databases had been scanned for debtors profiled. In terms of the analysis, the provision for the debt impairment was higher than budgeted.

Repairs and maintenance:

A bulk of the repairs and maintenance expenditure not utilised is from service connections. Money received from the prison for their service connections was receipted to this vote. The expenditure was not fully incurred as the job could not be completed within the financial year.

Personnel:

The Municipality had numerous key vacant positions which had to be filled during the financial year.

## Umtshezi Local Municipality
## Appendix A
June 2014

### Schedule of external loans as at 30 June 2014

| | Loan Number | Redeemable | Balance at 30 June 2013 Rand | Received during the period Rand | Redeemed written off during the period Rand | Balance at 30 June 2014 Rand | Carrying Value of Property, Plant & Equip Rand | Other Costs in accordance with the MFMA Rand |
|---|---|---|---|---|---|---|---|---|
| **Development Bank of South Africa** | | | | | | | | |
| DBSA - MPRA Loan | | 2013 | 586 981 | - | 586 981 | - | - | - |
| Loan 1 - Plant and Equipment | 61000894 | 2021 | 6 332 168 | - | 620 364 | 5 711 804 | - | - |
| Loan 2 - Electricity Upgrade | 61000893 | 2031 | 2 738 590 | - | 81 691 | 2 656 899 | - | - |
| | | | **9 657 739** | **-** | **1 289 036** | **8 368 703** | **-** | **-** |
| **Lease liability** | | | | | | | | |
| Motswako, Wesbank, Fleet Africa | | | 1 780 323 | 13 487 862 | 928 575 | 14 339 610 | 11 844 914 | - |
| | | | **1 780 323** | **13 487 862** | **928 575** | **14 339 610** | **11 844 914** | **-** |
| **Total external loans** | | | | | | | | |
| Development Bank of South Africa | | | 9 657 739 | - | 1 289 036 | 8 368 703 | - | - |
| Lease liability | | | 1 780 323 | 13 487 862 | 928 575 | 14 339 610 | 11 844 914 | - |
| | | | **11 438 062** | **13 487 862** | **2 217 611** | **22 708 313** | **11 844 914** | **-** |

# Umtshezi Local Municipality

# Umtshezi Local Municipality

# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land (Separate for AFS purposes) | 163 530 504 | - | - | (1 228 071) | - | **-** | **162 302 433** | - | - | - | - | - | **-** | 162 302 433 |
| Landfill Sites (Separate for AFS pursoses) | 3 018 055 | 4 397 048 | - | (104 793) | - | **-** | **7 310 310** | (257 370) | - | - | (39 665) | - | **(297 035)** | 7 013 275 |
| Buildings (Separate for AFS purposes) | 224 171 199 | 7 864 431 | - | 469 417 | - | **(1 194 719)** | **231 310 328** | (73 654 023) | - | - | (12 085 159) | - | **(85 739 182)** | 145 571 146 |
| | **390 719 758** | **12 261 479** | **-** | **(863 447)** | **-** | **(1 194 719)** | **400 923 071** | **(73 911 393)** | **-** | **-** | **(12 124 824)** | **-** | **(86 036 217)** | **314 886 854** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads, Pavements & Bridges | 258 746 519 | 19 101 705 | - | 863 448 | - | **(647 200)** | **278 064 472** | (89 574 939) | - | - | (10 892 180) | - | **(100 467 119)** | 177 597 353 |
| Storm water | 64 669 939 | - | - | - | - | **-** | **64 669 939** | (14 368 840) | - | - | (2 389 914) | - | **(16 758 754)** | 47 911 185 |
| Transmission & Reticulation | 77 294 674 | 9 211 882 | - | - | - | **-** | **86 506 556** | (15 324 530) | - | - | (2 761 724) | - | **(18 086 254)** | 68 420 302 |
| Street lighting | 164 986 | 644 954 | - | - | - | **-** | **809 940** | - | - | - | (5 659) | - | **(5 659)** | 804 281 |
| | **400 876 118** | **28 958 541** | **-** | **863 448** | **-** | **(647 200)** | **430 050 907** | **(119 268 309)** | **-** | **-** | **(16 049 477)** | **-** | **(135 317 786)** | **294 733 121** |
| **Community assets** | | | | | | | | | | | | | | |
| Parks & gardens | 1 318 606 | - | - | 9 686 | - | **-** | **1 328 292** | (147 543) | - | - | (132 985) | - | **(280 528)** | 1 047 764 |
| Sportsfields and stadiums | 10 603 690 | 1 425 021 | - | - | - | **-** | **12 028 711** | (3 134 684) | - | - | (508 327) | - | **(3 643 011)** | 8 385 700 |
| Swimming pools | 78 990 | 139 017 | - | - | - | **-** | **218 007** | (15 412) | - | - | (13 702) | - | **(29 114)** | 188 893 |
| Cemeteries | 869 342 | - | - | (9 738) | - | **-** | **859 604** | (358 367) | - | - | (60 811) | - | **(419 178)** | 440 426 |
| | **12 870 628** | **1 564 038** | **-** | **(52)** | **-** | **-** | **14 434 614** | **(3 656 006)** | **-** | **-** | **(715 825)** | **-** | **(4 371 831)** | **10 062 783** |

# Umtshezi Local Municipality
# Umtshezi Local Municipality
# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Buildings | 8 244 468 | - | - | - | - | - | **8 244 468** | - | - | - | - | - | - | 8 244 468 |
| Other | 295 | - | - | - | - | - | **295** | - | - | - | - | - | - | 295 |
| | **8 244 763** | **-** | **-** | **-** | **-** | **-** | **8 244 763** | **-** | **-** | **-** | **-** | **-** | **-** | **8 244 763** |
| **Specialised vehicles** | | | | | | | | | | | | | | |
| Refuse | 2 865 802 | - | - | - | - | - | **2 865 802** | (656 545) | - | - | (468 174) | - | **(1 124 719)** | 1 741 083 |
| Fire | 1 096 663 | - | - | - | - | - | **1 096 663** | (551 110) | - | - | (99 703) | - | **(650 813)** | 445 850 |
| Fire - leased | 1 418 903 | - | - | - | - | - | **1 418 903** | (840 570) | - | - | (141 493) | - | **(982 063)** | 436 840 |
| | **5 381 368** | **-** | **-** | **-** | **-** | **-** | **5 381 368** | **(2 048 225)** | **-** | **-** | **(709 370)** | **-** | **(2 757 595)** | **2 623 773** |
| **Other assets** | | | | | | | | | | | | | | |
| General vehicles | 11 030 045 | 445 219 | (591 735) | (10 583) | - | - | **10 872 946** | (5 790 647) | 224 283 | 8 113 | (844 571) | - | **(6 402 822)** | 4 470 124 |
| Plant & equipment | 5 016 035 | 630 238 | - | (6 464) | - | - | **5 639 809** | (2 945 733) | - | 4 715 | (557 036) | - | **(3 498 054)** | 2 141 755 |
| Computer equipment | 5 691 257 | 320 576 | - | 253 983 | - | - | **6 265 816** | (4 927 037) | - | (42 422) | (225 214) | - | **(5 194 673)** | 1 071 143 |
| Furniture & fittings | 3 274 709 | 137 936 | - | (30 406) | - | - | **3 382 239** | (2 358 229) | - | 24 731 | (399 146) | - | **(2 732 644)** | 649 595 |
| Office equipment | 1 637 685 | 59 526 | - | 732 818 | - | - | **2 430 029** | (909 143) | - | (749 737) | (262 757) | - | **(1 921 637)** | 508 392 |
| Security measures | 118 867 | - | - | - | - | - | **118 867** | (110 637) | - | - | (3 210) | - | **(113 847)** | 5 020 |
| Bins and Containers | 750 | - | - | - | - | - | **750** | (750) | - | - | - | - | **(750)** | - |
| Other | 5 694 | 615 740 | - | 2 001 | - | - | **623 435** | (4 555) | - | (1 427) | (49 327) | - | **(55 309)** | 568 126 |
| General vehicles - leased | 2 035 435 | 5 330 126 | (208 064) | 49 | - | - | **7 157 546** | (1 731 261) | 168 453 | (1) | (348 114) | - | **(1 910 923)** | 5 246 623 |
| Office equipment - leased | 1 899 504 | 1 301 524 | - | (967 937) | - | - | **2 233 091** | (1 605 835) | - | 782 608 | (67 387) | - | **(890 614)** | 1 342 477 |
| Other equipment - leased | - | 4 907 700 | - | - | - | - | **4 907 700** | - | - | - | (88 730) | - | **(88 730)** | 4 818 970 |
| | **30 709 981** | **13 748 585** | **(799 799)** | **(26 539)** | **-** | **-** | **43 632 228** | **(20 383 827)** | **392 736** | **26 580** | **(2 845 492)** | **-** | **(22 810 003)** | **20 822 225** |

# Umtshezi Local Municipality
# Umtshezi Local Municipality
# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 390 719 758 | 12 261 479 | - | (863 447) | - | (1 194 719) | 400 923 071 | (73 911 393) | - | - | (12 124 824) | - | (86 036 217) | 314 886 854 |
| Infrastructure | 400 876 118 | 28 958 541 | - | 863 448 | - | (647 200) | 430 050 907 | (119 268 309) | - | - | (16 049 477) | - | (135 317 786) | 294 733 121 |
| Community assets | 12 870 628 | 1 564 038 | - | (52) | - | - | 14 434 614 | (3 656 006) | - | - | (715 825) | - | (4 371 831) | 10 062 783 |
| Heritage assets | 8 244 763 | - | - | - | - | - | 8 244 763 | - | - | - | - | - | - | 8 244 763 |
| Specialised vehicles | 5 381 368 | - | - | - | - | - | 5 381 368 | (2 048 225) | - | - | (709 370) | - | (2 757 595) | 2 623 773 |
| Other assets | 30 709 981 | 13 748 585 | (799 799) | (26 539) | - | - | 43 632 228 | (20 383 827) | 392 736 | 26 580 | (2 845 492) | - | (22 810 003) | 20 822 225 |
| | **848 802 616** | **56 532 643** | **(799 799)** | **(26 590)** | **-** | **(1 841 919)** | **902 666 951** | **(219 267 760)** | **392 736** | **26 580** | **(32 444 988)** | **-** | **(251 293 432)** | **651 373 519** |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software & programming | 1 275 114 | 8 750 | - | - | - | - | 1 283 864 | (836 680) | - | - | (115 608) | - | (952 288) | 331 576 |
| | **1 275 114** | **8 750** | **-** | **-** | **-** | **-** | **1 283 864** | **(836 680)** | **-** | **-** | **(115 608)** | **-** | **(952 288)** | **331 576** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 390 719 758 | 12 261 479 | - | (863 447) | - | (1 194 719) | 400 923 071 | (73 911 393) | - | - | (12 124 824) | - | (86 036 217) | 314 886 854 |
| Infrastructure | 400 876 118 | 28 958 541 | - | 863 448 | - | (647 200) | 430 050 907 | (119 268 309) | - | - | (16 049 477) | - | (135 317 786) | 294 733 121 |
| Community assets | 12 870 628 | 1 564 038 | - | (52) | - | - | 14 434 614 | (3 656 006) | - | - | (715 825) | - | (4 371 831) | 10 062 783 |
| Heritage assets | 8 244 763 | - | - | - | - | - | 8 244 763 | - | - | - | - | - | - | 8 244 763 |
| Specialised vehicles | 5 381 368 | - | - | - | - | - | 5 381 368 | (2 048 225) | - | - | (709 370) | - | (2 757 595) | 2 623 773 |
| Other assets | 30 709 981 | 13 748 585 | (799 799) | (26 539) | - | - | 43 632 228 | (20 383 827) | 392 736 | 26 580 | (2 845 492) | - | (22 810 003) | 20 822 225 |
| Intangible assets | 1 275 114 | 8 750 | - | - | - | - | 1 283 864 | (836 680) | - | - | (115 608) | - | (952 288) | 331 576 |
| | **850 077 730** | **56 541 393** | **(799 799)** | **(26 590)** | **-** | **(1 841 919)** | **903 950 815** | **(220 104 440)** | **392 736** | **26 580** | **(32 560 596)** | **-** | **(252 245 720)** | **651 705 095** |

# Umtshezi Local Municipality
# Umtshezi Local Municipality
# Appendix B

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land (Separate for AFS purposes) | 164 179 063 | - | (1 876 630) | 1 228 071 | - | **-** | **163 530 504** | - | - | - | - | - | **-** | 163 530 504 |
| Landfill Sites (Separate for AFS pursoses) | 2 203 351 | 814 704 | - | - | - | **-** | **3 018 055** | (217 533) | - | - | (39 837) | - | **(257 370)** | 2 760 685 |
| Buildings (Separate for AFS purposes) | 208 267 095 | 15 904 103 | - | - | - | **-** | **224 171 198** | (61 529 018) | - | - | (12 125 005) | - | **(73 654 023)** | 150 517 175 |
| | **374 649 509** | **16 718 807** | **(1 876 630)** | **1 228 071** | **-** | **-** | **390 719 757** | **(61 746 551)** | **-** | **-** | **(12 164 842)** | **-** | **(73 911 393)** | **316 808 364** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads, Pavements & Bridges | 250 765 480 | 7 981 039 | - | - | - | **-** | **258 746 519** | (79 671 625) | - | - | (9 903 314) | - | **(89 574 939)** | 169 171 580 |
| Storm water | 64 669 939 | 4 029 746 | - | - | - | **-** | **68 699 685** | (11 970 757) | - | - | (2 398 083) | - | **(14 368 840)** | 54 330 845 |
| Transmission & Reticulation | 73 264 928 | - | - | - | - | **-** | **73 264 928** | (12 699 244) | - | - | (2 625 286) | - | **(15 324 530)** | 57 940 398 |
| Street lighting | - | 164 986 | - | - | - | **-** | **164 986** | - | - | - | - | - | **-** | 164 986 |
| | **388 700 347** | **12 175 771** | **-** | **-** | **-** | **-** | **400 876 118** | **(104 341 626)** | **-** | **-** | **(14 926 683)** | **-** | **(119 268 309)** | **281 607 809** |
| **Community Assets** | | | | | | | | | | | | | | |
| Parks & gardens | 1 318 606 | - | - | - | - | **-** | **1 318 606** | (15 925) | - | - | (131 618) | - | **(147 543)** | 1 171 063 |
| Sportsfields and stadiums | 10 603 690 | - | - | - | - | **-** | **10 603 690** | (2 612 434) | - | - | (522 250) | - | **(3 134 684)** | 7 469 006 |
| Swimming pools | 78 990 | - | - | - | - | **-** | **78 990** | (7 498) | - | - | (7 914) | - | **(15 412)** | 63 578 |
| Cemeteries | 859 603 | 9 739 | - | - | - | **-** | **869 342** | (297 354) | - | - | (61 013) | - | **(358 367)** | 510 975 |
| | **12 860 889** | **9 739** | **-** | **-** | **-** | **-** | **12 870 628** | **(2 933 211)** | **-** | **-** | **(722 795)** | **-** | **(3 656 006)** | **9 214 622** |

# Umtshezi Local Municipality
Umtshezi Local Municipality
# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Buildings | 8 244 468 | - | - | - | - | **-** | **8 244 468** | - | - | - | - | - | **-** | 8 244 468 |
| Other | 295 | - | - | - | - | **-** | **295** | - | - | - | - | - | **-** | 295 |
| | **8 244 763** | **-** | **-** | **-** | **-** | **-** | **8 244 763** | **-** | **-** | **-** | **-** | **-** | **-** | **8 244 763** |
| **Specialised vehicles** | | | | | | | | | | | | | | |
| Refuse | 2 865 802 | - | - | - | - | **-** | **2 865 802** | (195 120) | - | - | (461 425) | - | **(656 545)** | 2 209 257 |
| Fire | 1 096 663 | - | - | - | - | **-** | **1 096 663** | (448 708) | - | - | (102 402) | - | **(551 110)** | 545 553 |
| Fire - leased | 1 418 903 | - | - | - | - | **-** | **1 418 903** | (698 388) | - | - | (142 182) | - | **(840 570)** | 578 333 |
| | **5 381 368** | **-** | **-** | **-** | **-** | **-** | **5 381 368** | **(1 342 216)** | **-** | **-** | **(706 009)** | **-** | **(2 048 225)** | **3 333 143** |
| **Other assets** | | | | | | | | | | | | | | |
| General vehicles | 10 381 005 | 649 040 | - | - | - | **-** | **11 030 045** | (4 818 574) | - | - | (972 073) | - | **(5 790 647)** | 5 239 398 |
| Plant & equipment | 5 297 906 | 84 596 | (366 467) | - | - | **-** | **5 016 035** | (2 683 463) | 244 334 | - | (506 604) | - | **(2 945 733)** | 2 070 302 |
| Computer Equipment | 5 577 492 | 103 381 | (112 018) | - | - | **122 402** | **5 691 257** | (4 782 008) | 68 829 | - | (213 858) | - | **(4 927 037)** | 764 220 |
| Furniture & Fittings | 3 482 389 | 42 326 | (258 665) | - | - | **8 659** | **3 274 709** | (2 066 896) | 158 564 | - | (449 897) | - | **(2 358 229)** | 916 480 |
| Office Equipment | 1 659 131 | 91 311 | (123 544) | - | - | **10 787** | **1 637 685** | (814 299) | 71 635 | - | (166 479) | - | **(909 143)** | 728 542 |
| Security measures | 118 867 | - | - | - | - | **-** | **118 867** | (107 407) | - | - | (3 230) | - | **(110 637)** | 8 230 |
| Bins and Containers | 750 | - | - | - | - | **-** | **750** | (750) | - | - | - | - | **(750)** | - |
| Other | 5 694 | - | - | - | - | **-** | **5 694** | (3 982) | - | - | (573) | - | **(4 555)** | 1 139 |
| General vehicles - leased | 2 035 435 | - | - | - | - | **-** | **2 035 435** | (1 478 702) | - | - | (252 559) | - | **(1 731 261)** | 304 174 |
| Office equipment - leased | 2 034 850 | - | (135 346) | - | - | **-** | **1 899 504** | (1 342 348) | 108 295 | - | (371 782) | - | **(1 605 835)** | 293 669 |
| | **30 593 519** | **970 654** | **(996 040)** | **-** | **-** | **141 848** | **30 709 981** | **(18 098 429)** | **651 657** | **-** | **(2 937 055)** | **-** | **(20 383 827)** | **10 326 154** |

# Umtshezi Local Municipality
Umtshezi Local Municipality
# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 374 649 509 | 16 718 807 | (1 876 630) | 1 228 071 | - | - | **390 719 757** | (61 746 551) | - | - | (12 164 842) | - | **(73 911 393)** | 316 808 364 |
| Infrastructure | 388 700 347 | 12 175 771 | - | - | - | - | **400 876 118** | (104 341 626) | - | - | (14 926 683) | - | **(119 268 309)** | 281 607 809 |
| Community Assets | 12 860 889 | 9 739 | - | - | - | - | **12 870 628** | (2 933 211) | - | - | (722 795) | - | **(3 656 006)** | 9 214 622 |
| Heritage assets | 8 244 763 | - | - | - | - | - | **8 244 763** | - | - | - | - | - | **-** | 8 244 763 |
| Specialised vehicles | 5 381 368 | - | - | - | - | - | **5 381 368** | (1 342 216) | - | - | (706 009) | - | **(2 048 225)** | 3 333 143 |
| Other assets | 30 593 519 | 970 654 | (996 040) | - | - | **141 848** | **30 709 981** | (18 098 429) | 651 657 | - | (2 937 055) | - | **(20 383 827)** | 10 326 154 |
| | **820 430 395** | **29 874 971** | **(2 872 670)** | **1 228 071** | **-** | **141 848** | **848 802 615** | **(188 462 033)** | **651 657** | **-** | **(31 457 384)** | **-** | **(219 267 760)** | **629 534 855** |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software & programming | 964 834 | 310 280 | - | - | - | - | **1 275 114** | (779 059) | - | - | (57 621) | - | **(836 680)** | 438 434 |
| | **964 834** | **310 280** | **-** | **-** | **-** | **-** | **1 275 114** | **(779 059)** | **-** | **-** | **(57 621)** | **-** | **(836 680)** | **438 434** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 374 649 509 | 16 718 807 | (1 876 630) | 1 228 071 | - | - | **390 719 757** | (61 746 551) | - | - | (12 164 842) | - | **(73 911 393)** | 316 808 364 |
| Infrastructure | 388 700 347 | 12 175 771 | - | - | - | - | **400 876 118** | (104 341 626) | - | - | (14 926 683) | - | **(119 268 309)** | 281 607 809 |
| Community Assets | 12 860 889 | 9 739 | - | - | - | - | **12 870 628** | (2 933 211) | - | - | (722 795) | - | **(3 656 006)** | 9 214 622 |
| Heritage assets | 8 244 763 | - | - | - | - | - | **8 244 763** | - | - | - | - | - | **-** | 8 244 763 |
| Specialised vehicles | 5 381 368 | - | - | - | - | - | **5 381 368** | (1 342 216) | - | - | (706 009) | - | **(2 048 225)** | 3 333 143 |
| Other assets | 30 593 519 | 970 654 | (996 040) | - | - | **141 848** | **30 709 981** | (18 098 429) | 651 657 | - | (2 937 055) | - | **(20 383 827)** | 10 326 154 |
| Intangible assets | 964 834 | 310 280 | - | - | - | - | **1 275 114** | (779 059) | - | - | (57 621) | - | **(836 680)** | 438 434 |
| | **821 395 229** | **30 185 251** | **(2 872 670)** | **1 228 071** | **-** | **141 848** | **850 077 729** | **(189 241 092)** | **651 657** | **-** | **(31 515 005)** | **-** | **(220 104 440)** | **629 973 289** |

## Umtshezi Local Municipality
## Appendix F
## Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2014

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | | Yes/ No | |
| Municipal Infrastructure Grant | National Treasury | - | 5 237 000 | 6 710 000 | 3 214 000 | - | - | 1 847 812 | 2 066 707 | 2 891 423 | 4 135 558 | - | - | - | - | - | | Yes | |
| Finance Management Grant | National Treasury | - | 1 550 000 | - | - | - | - | 85 431 | 169 730 | 341 750 | 953 089 | - | - | - | - | - | | Yes | |
| Neighbourhood Development Grant | National Treasury | - | - | - | - | - | - | 477 698 | 5 912 018 | 1 049 869 | - | - | - | - | - | - | | Yes | |
| Sport Infrastructure | KZN Dept of Sports and Recreation | - | - | 525 000 | - | 525 000 | - | - | 72 296 | 703 531 | 690 557 | - | - | - | - | - | | Yes | |
| Integrated National Electrification Programme | National Dept of Energy | - | 7 000 000 | 1 000 000 | 4 200 000 | - | - | 707 955 | 470 676 | 1 093 946 | 8 282 953 | - | - | - | - | - | | Yes | |
| Small Town Rehabilitation Grant | KZN COGTA | - | - | 6 000 000 | - | - | - | - | 635 976 | 858 588 | 434 495 | - | - | - | - | - | | Yes | |
| Equitable Share | National Treasury | - | 12 859 000 | 3 530 000 | 16 807 000 | - | - | 12 859 000 | 3 530 000 | 16 807 000 | - | - | - | - | - | - | | Yes | |
| Provincialisation of Libraries | Provincial Treasury | - | 1 878 000 | - | - | - | - | 1 878 000 | - | - | - | - | - | - | - | - | | Yes | |
| Museum Grant | Provincial Treasury | - | 286 000 | - | - | 282 000 | - | 286 000 | - | - | 282 000 | - | - | - | - | - | | Yes | |
| Municipal Systems Infrastructure Grant | National Treasury | - | 890 000 | - | - | - | - | 443 446 | 436 956 | 4 597 | 2 550 | - | - | - | - | - | | Yes | |
| Expanded Public Works Programme | ?????? | - | 400 000 | 300 000 | 300 000 | - | - | - | 264 050 | 292 378 | 443 572 | - | - | - | - | - | | Yes | |
| Caretaker Grant | ?????? | - | 150 000 | - | - | 150 000 | - | 150 000 | - | - | 150 000 | - | - | - | - | - | | Yes | |
| Community Library Service | ?????? | - | 240 000 | - | - | - | - | 240 000 | - | - | - | - | - | - | - | - | | Yes | |
| | | - | 30 490 000 | 18 065 000 | 24 521 000 | 957 000 | - | 18 975 342 | 13 558 409 | 24 043 082 | 15 374 774 | - | - | - | - | - | | | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.